Supreme Court, U.S.
FILED
051624 JUN 20 2006
OFFICE OF THE CLERK

No.

IN THE
Supreme Court of the United States

B. BRAUN MEDICAL INC.,

Petitioner,

v.

BOBBY EUGENE ROGERS AND
ROZI MEDICAL DEVICES LTD.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

Gary Dukarich
Joel A. Kauth
CHRISTIE, PARKER, & HALE, LLP
3501 Jamboree Rd. #6000
Newport Beach, CA 92660

Kenneth W. Starr
Counsel of Record
Daniel F. Attridge, P.C.
Edward C. Donovan
Andrew B. Kay
John C. O'Quinn
Justin P.D. Wilcox
KIRKLAND & ELLIS LLP
655 15th Street, N.W.
Washington, DC 20005
(202) 879-5000

June 20, 2006

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, petitioner states as follows:

Petitioner B. Braun Medical Inc. is a privately held corporation and a subsidiary of B. Braun of America Inc. No publicly held corporation holds 10% or more of B. Braun Medical Inc.'s stock.

QUESTION PRESENTED

Whether the Ninth Circuit violated fundamental principles of appellate review, and created a conflict with five other courts of appeals, by holding that the proper remedy for the failure to offer a new trial in lieu of remittitur (as required by the Seventh Amendment) is to reinstate a jury award, thereby imposing the very award the district court had found to be unlawfully excessive.

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INTRODUCTION

This case presents a fundamental question in our civil justice system: Whether the appropriate remedy for the failure to offer a new trial to the party awarded damages by the jury, in lieu of accepting remittitur, is to reinstate an unlawfully excessive verdict. The Ninth Circuit answered that question in the affirmative, holding that because the district court had failed to offer plaintiffs a new trial (thereby running afoul of the Seventh Amendment), the entire jury verdict must be reinstated—despite the district court's finding that the verdict was not supported by the evidence. That holding is not only manifestly wrong, it turns well-established remittitur practice upside down and conflicts with the holding of every other circuit to consider the issue, including the Second, Fifth, Sixth, Eighth, and Tenth Circuits.

In this case, the district court found that the jury improperly sought to punish a leading medical devices manufacturer, B. Braun Medical Inc. ("Braun"), through an award of $16 million in compensatory damages. In view of all the evidence presented at trial, the district court concluded that the verdict was excessive and, accordingly, remitted some $11 million in damages. In a procedural misstep, however, the district court failed to offer respondents the option of a new trial. On appeal, Judges Pregerson, Cowen (sitting by designation), and Thomas held that to the extent that the district court reduced the damages award because it viewed the award as excessive, it violated the Seventh Amendment by failing to offer a new trial. Rather than remand to allow the district court to offer

respondents the option of a new trial, the panel decreed, with no explanation—much less the deferential analysis required by this Court in *Gasperini v. Center for Humanities, Inc.*, 518 U.S. 415 (1996)—that the jury award "must be reinstated." In so doing, the Ninth Circuit upset the constitutionally sensitive balance between the authority of the jury under the Seventh Amendment and the power of the judiciary under Article III.

The ruling below obliterates the careful scheme of appellate oversight of jury verdicts that this Court has consistently demanded. Far from embodying "restraint," the rule articulated by the Ninth Circuit requires reinstatement of unlawfully excessive verdicts. As such, this case presents a significant issue regarding the consistent and uniform administration of justice when the courts of appeals review procedural Seventh Amendment violations.

To arrive at its extraordinary destination, the Ninth Circuit bypassed foundational jurisdictional thresholds, granting review of remittitur prior to a new trial. The ruling cannot be reconciled with the approach of every other court of appeals to address the issue. In case after case where a district court has failed to offer the option of a new trial under comparable circumstances, courts of appeals have concluded that the proper remedy is to remand the case so that the district court can offer the party a new trial. *See, e.g.*, *Sloan v. State Farm Mut. Auto. Ins. Co.*, 360 F.3d 1220 (10th Cir. 2004); *Thorne v. Welk Inv., Inc.*, 197 F.3d 1205 (8th Cir. 1999); *Lightfoot v. Union Carbide Corp.*, 110 F.3d 898 (2d Cir. 1997); *Burnett v. Coleman Co.*, 507 F.2d 726 (6th

Cir. 1974); *Stewart v. Atlantic Pipe Line Co.*, 479 F.2d 311 (5th Cir. 1973).

Not only does the Ninth Circuit's ruling spawn a circuit conflict, it runs afoul of this Court's Seventh Amendment teachings. On numerous occasions, this Court has carefully articulated the boundaries imposed by the Seventh Amendment on remittitur and appellate review. It is well settled that the party awarded damages must be offered the choice between a new trial and accepting remittitur to avoid a Seventh Amendment problem, and that failure to do so requires remand to offer a new trial. *Kennon v. Gilmer*, 131 U.S. 22 (1889). This Court should grant certiorari to resolve the circuit conflict and to vindicate its own carefully articulated principles of trial and appellate practice. Because the Ninth Circuit's decision departs so radically from this Court's precedents, as well as the well-traveled path of other courts of appeals, this case is appropriate for summary reversal.

OPINIONS BELOW

The Ninth Circuit's decision is reported at 163 Fed. Appx. 500, and reprinted in the Appendix (App.) at 1-17a. The Ninth Circuit's unreported order denying the petition for panel rehearing and suggestion for rehearing *en banc* is reprinted at App. 18-19a. The district court's unreported decision on post-trial motions, granting remittitur, is reprinted at App. 20-46a.

JURISDICTION

The Ninth Circuit entered judgment on January 13, 2006. Petitioner timely filed a petition for panel rehearing and suggestion for rehearing *en banc*,

which was denied on March 22, 2006. On April 4, 2006, the Ninth Circuit stayed issuance of the mandate pending disposition of this petition. This Court has jurisdiction under 28 U.S.C. § 1254(1).

PERTINENT PROVISIONS

The Seventh Amendment provides:

> In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

Rule 59(a) of the Federal Rules of Civil Procedure provides:

> (a) Grounds. A new trial may be granted to all or any of the parties and on all or part of the issues (1) in an action in which there has been a trial by jury, for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States; and (2) in an action tried without a jury, for any of the reasons for which rehearings have heretofore been granted in suits in equity in the courts of the United States. On a motion for a new trial in an action tried without a jury, the court may open the judgment if one has been entered, take additional testimony, amend findings of fact and conclusions of law or make new findings and conclusions, and direct the entry of a new judgment.

STATEMENT OF THE CASE

A. Background

Braun is a global leader in developing, manufacturing, and selling intravenous solutions, medical devices, and supplies for use by facilities such as trauma centers, hospitals, and clinics. App. 21-22a. One component of medical devices that is used in the administration of intravenous solutions is the valve that controls the introduction of a fluid into a patient's bloodstream through an intravenous administration set.

This case arises out of a license agreement that gave Braun the right to develop a marketable version of a capless backcheck valve for an intravenous device, which respondents had patented (U.S. Patent No. 5,006,114 ("the '114 patent")). App. 2a, 22a. Under the terms of that agreement, Braun paid respondents an advance of $350,000, additional guaranteed royalties of $1.25 million over the first six years of the deal, and provided for the potential for further royalties for sales of products covered by the '114 patent. 9th Cir. Excerpts of Record ("ER") at 183-84. No marketable device based upon the '114 patent was ever developed. Rather, Braun encountered numerous problems, which were explained to respondents, in the course of developing a marketable product. *Id.* at 461, 491-93.

Respondents initially contacted ViR Engineering ("ViR") to prepare design alternatives and improvements for developing a more manufacturable valve. *Id.* at 153; App. 2a. ViR developed "concept" sketches of medical valves and presented them to Braun. 9th Cir. ER at 292A-292B, 300. Every

element in each of the concept sketches was a matter of general knowledge in the medical valve field. *Id.* at 458-462, 644-45. Braun subsequently contracted directly with ViR, worked directly with ViR, and paid ViR directly to develop additional designs and prototypes. *Id.* at 233, 297. ViR developed two prototypes (which were shown to respondents), completed final designs, and coordinated fabrication of the final product. *Id.* at 253; 277A; 493A. The end result was a valve design that did not contain any of the concept sketches, but used features common with those sketches that were publicly known in the industry. *Id.* at 458-462, 644-45.

Seeking a patent for the valve ViR collaboratively developed with it, Braun filed an application that named four ViR employees as the inventors of the design. *Id.* at 280. As is customary in the industry, Braun owned the rights to the design based on its payment for ViR's services. For their part, the inventors assigned their rights in the patent application to Braun. *Id.* at 297. U.S. Patent No. 5,439,451 ("the '451 patent") issued to Braun on August 8, 1995.

After applying for the '451 patent, Braun continued to hone the patented device, devoting substantial time and expense to the development of a commercial product. *Id.* at 473-78, 482-88. Even following market release, Braun continued to change and improve its product to respond to market needs, making significant alterations to the design. *Id.* at 480-83. Braun's commercial embodiment of the '451 patent, the Ultrasite® valve, is marketed as just one part of complex intravenous systems. *Id* at 674. The "value" of the Ultrasite® valve is thus derived from

its position within an entire product line that Braun developed and promoted. Braun has expended significant resources to market the Ultrasite® valve as part of its overall product-line advertising, and provides full-time user support for the valve. *Id.* at 701, 796-97.

B. The District Court Proceedings

Respondents claim they became aware of the '451 patent in 1997. 9th Cir. ER at 221-22. Thereafter, they filed a demand that Braun submit to arbitration regarding ownership of the '451 patent. *Id.* at 4-5. In response, Braun filed this action in the U.S. District Court for the Southern District of California. The district court had jurisdiction pursuant to 28 U.S.C. § 1332. Respondents dropped their arbitration demand and counterclaimed, seeking damages for alleged trade secret misappropriation and fraud, and equitable relief in the form of patent reassignment. App. 3a.

A jury awarded respondents $16 million in compensatory damages for trade secret misappropriation, $2.5 million in future damages for trade secret misappropriation, $1 million in damages for fraud, and $1.25 million in punitive damages for fraud. App. 3a. The district court enhanced the trade secret damages by $5 million pursuant to Cal. Civ. Code § 3426.3. *Id.* The district court then conducted a bench trial and ordered respondents to elect either the $2.5 million future damages award or reassignment of the '451 patent to them with an exclusive royalty-bearing license to Braun. *Id.* Respondents elected patent reassignment. *Id.*

On post-trial motions, the district court reduced the award of compensatory damages from $16 million to $5 million. *Id.*; App. 33a. The district court observed that it was "undisputed that Braun invested resources in the development, promotion and manufacturing of the Ultrasite valve." App. 32a. As such, "some of Braun's profits were due to Braun's own efforts and may be thought of as just enrichment." *Id.* Because Braun was entitled to some of the profits it earned, the court reasoned that "all profits are not necessarily unjust enrichment." *Id.* However, respondents "presented no methodology for the jury to distinguish unjust enrichment from general enrichment." *Id.* Therefore, the district court concluded that "the jury improperly sought to punish Braun through the compensatory damages award," and it "limit[ed] the award to what can be supported" based on the record. *Id.* The court found "any actual loss award over $5,000,000 was not supported by sufficient evidence to sustain it." App. 33a. Accordingly, the court granted-in-part and denied-in-part Braun's motion for remittitur. App. 45a.

The district court did not offer respondents a new trial in lieu of remittitur. In reciting the legal standard for remittitur, the court correctly noted that a "[r]emittitur is available to correct excessive verdicts" and that a "trial court granting a motion for remittitur does not substitute its judgment for that of the jury, but instead reduces the judgment to the maximum amount sustainable by the proof." App. 27a. However, it erroneously suggested that a district court may reduce an "excessive" damages award without offering a new trial. *Id.* Respondents did not move for reconsideration of the remittitur or

otherwise object to the district court's failure to offer a new trial prior to filing their cross-appeal.

C. The Ninth Circuit Proceedings

Braun appealed the judgment seeking, *inter alia*, judgment as a matter of law on the fraud claim and reversal of the district court's reassignment of the '451 patent. The Ninth Circuit reversed as to both the fraud claim (granting Braun judgment as a matter of law), and patent reassignment (returning ownership of the '451 patent to Braun). App. 10a, 13a.

In resolving respondents' cross-appeal of the grant of remittitur, the panel concluded, "[t]o the extent that the district court reduced the damages award because it viewed the award as excessive, it violated the Seventh Amendment's admonition that 'no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.'" App. 9a (quoting U.S. Const. Amend. VII). The panel observed that a "court violates the Seventh Amendment's guarantee of a jury trial by ordering a remittitur without affording the party the option of a new trial," *id.*, and that "[i]n this case, the district court reduced the compensatory damages award without affording [respondents] the option of a retrial," App. 10a. The Ninth Circuit then determined "[u]nder these circumstances, if the jury award is not against the clear weight of the evidence, it must be reinstated," *id.*, without even considering whether the district court had abused its discretion in remitting $11 million in damages. Based on the "violat[ion of] the Seventh Amendment," the panel

held "[t]he jury award for compensatory damages must be reinstated." *Id.*

The Ninth Circuit denied panel rehearing and rehearing *en banc*, App. 17a-18a, but stayed issuance of the mandate. This petition follows.

REASONS FOR GRANTING THE WRIT

The Ninth Circuit Violated Fundamental Principles of Appellate Review, And Created A Circuit Conflict, By Reinstating An Excessive Verdict As The Remedy For A Seventh Amendment Violation Instead Of Remanding For The District Court To Offer A New Trial.

The Ninth Circuit violated fundamental principles of appellate review—and created a circuit conflict—by holding that the appropriate remedy for a district court's failure to offer a new trial (in lieu of accepting remittitur) is to reinstate a verdict that the district court had already found to be excessive. Turning well-established remittitur practice on its head, the Ninth Circuit's revolutionary approach imposes what is effectively an $11 million penalty on Braun—an award the district court expressly found constituted improper punishment at the hands of the jury—based on the district court's uninvited mistake. Indeed, the panel did not even purport to consider whether the district court had abused its discretion as required by *Gasperini*, *see* 518 U.S. at 419; instead, the Ninth Circuit fashioned a new *per se* approach to Seventh Amendment violations. Unsurprisingly, the Ninth Circuit's approach conflicts with that of every other circuit to consider the issue, thereby warranting this Court's review.

The Ninth Circuit's "all or nothing" approach—under which a party may be penalized with an unlawfully excessive verdict—is flatly inconsistent with decisions from five other circuits. In case after case where a district court has failed to offer the party awarded damages by the jury the option of a new trial rather than accepting remittitur, the remedy is *to remand* to offer the party a new trial.

For example, in *Lightfoot v. Union Carbide Corp.*, 110 F.3d 898 (2d Cir. 1997), where, as here, the district court reduced damages without offering a new trial, the Second Circuit concluded—as did the Ninth Circuit here—that forced remittitur was inconsistent with the Seventh Amendment. That did not somehow mean, however, that the appropriate remedy was to reinstate the jury's excessive verdict. To the contrary, the Second Circuit concluded it must "remand to allow [the party awarded damages] the opportunity to exercise this option" of a new trial. *Id.* at 915. Similarly, in *Phelan v. Local 305*, 973 F.2d 1050, 1064 (2d Cir. 1992), the district court had reduced the punitive damages award because it was "excessive," but failed to offer a new trial. The Second Circuit reversed, holding that plaintiffs should be offered a new trial and remanding with instructions for the district court to "employ proper remittitur procedures." *Id.*

The Tenth Circuit also addressed this issue recently in *Sloan v. State Farm Mutual Automobile Insurance Co.*, 360 F.3d 1220 (10th Cir. 2004). There, the district court had imposed remittitur without allowing the plaintiffs to choose between remittitur and a new trial. *See id.* at 1225. The Tenth Circuit remanded for a new trial. *Id.* The

court of appeals would have remanded for the district court to offer the choice; however, plaintiffs represented on appeal that they would not accept the remittitur. *See id.* Observing that "if the plaintiff does not consent to the remittitur, the district court has no alternative but to order a new trial," *id.*, the Tenth Circuit concluded the "case *must* be remanded." *Id* (emphasis added).

Conversely, in *Thorne v. Welk Investment, Inc.*, 197 F.3d 1205, 1212 (8th Cir. 1999), the Eighth Circuit avoided remand solely because the plaintiff represented that she would waive her right to a new trial if given the choice. There, the court of appeals confronted a case where "the district court simply ordered remittitur without the Plaintiff's consent." *Id.* Although accepting plaintiff's waiver on appeal, the Eighth Circuit observed that "[o]rdinarily, *we would remand in order to allow the Plaintiff to elect between the judgment as remitted and a new trial.*" *Id.* (emphasis added); *cf. Howell v. Marmpegaso Compania Naviera, S.A.*, 566 F.2d 992, 993 (5th Cir. 1978) (noting "acceptance of the remittitur rendered the judgment final and appealable").

Likewise, in *Burnett v. Coleman Co.*, 507 F.2d 726 (6th Cir. 1974) (*per curiam*), the Sixth Circuit considered the Seventh Amendment implications of remittitur. There, the "only substantial question raised" concerned "the District Court's use of remittitur to reduce the size of the judgment." *Id.* at 726-27. The Sixth Circuit remanded "with instructions to offer the plaintiffs the option of acceding to the remittitur or electing to retry their claim in a new trial." *Id.*

Tellingly, in *Stewart v. Atlantic Pipe Line Co.*, 479 F.2d 311 (5th Cir. 1973), *the Fifth Circuit granted rehearing to decide the precise issue presented here*: the proper remedy where a trial court fails to offer plaintiffs a new trial option. In its first opinion, the panel had "remand[ed] the case to the trial court for the entry of a judgment in the full amount found by the jury to be due." *Id.* at 312. On rehearing, however, the Fifth Circuit concluded that the "appropriate action for this Court to have taken ... was to reverse the judgment of the trial court and to remand the case to that court for further proceedings not inconsistent with the opinion," thus allowing the trial court to "simply grant a new trial" or "give the winning party an option of having a new trial or agreeing to a remittitur of a part of the amount found in the jury verdict." *Id.*; *see also Higgins v. Smith Int'l, Inc.*, 716 F.2d 278, 281 (5th Cir. 1983) (holding where plaintiff is not offered a new trial the court of appeals must "remand for the plaintiff's exercise of his right to choose"), *abrogated on other grounds, Overman v. Fluor Constructors, Inc.*, 797 F.2d 217 (5th Cir. 1986). So too here.

The circuits have repeatedly addressed this issue—sometimes rehearing cases to consider this constitutionally-sensitive issue—and concluded that, absent a representation on appeal by the party awarded damages that it would accept remittitur, the failure to offer a new trial requires remand. Thus, the time is right for this Court to address the Ninth Circuit's departure from the prevailing norm.

Indeed, it should be manifestly obvious that the approach employed by the overwhelming majority of courts of appeals (remanding when a jury trial is not

offered), is far superior to the Ninth Circuit's approach, which runs contrary to the basic purpose of remittitur—protecting parties from runaway juries inflamed by passion and prejudice. For centuries, it has been the case that "exorbitant damages" constitute grounds for a new trial. 3 William Blackstone, *Commentaries on the Laws of England* 387 (1768). Remittitur in the federal courts dates back to 1822. *See Blunt v. Little*, 3 F. Cas. 760 (C.C. Mass. 1822) (No. 1578) (Story, J.). Because an excessive verdict is "unlawful," "remittitur has the effect of merely lopping off an excrescence." *Dimick v. Schiedt*, 293 U.S. 474, 486 (1935). In other words, an order of remittitur is a judicial determination that the verdict is excessive, *Banks v. Chicago Grain Trimmers*, 390 U.S. 459 (1968), and, as a result, must either be reduced or retried.

The failure to offer a new trial "prejudiced" Braun "because, if the judgment for the lesser sum had been conditional upon a remittitur" then had respondents declined remittitur, Braun "would have a new trial generally." *Kennon v Gilmer*, 131 U.S. 22, 30 (1889). Conversely, if respondents had "consented to the judgment," they could not have appealed, and Braun "would have been protected from the possibility of being obliged in any event to pay the larger sum." *Id.* Where, as here, it appears that the jury awarded excessive damages, "'it is as much the duty of the court to interfere, to prevent the wrong, as in any other case.'" *Gasperini*, 518 U.S. at 433 (quoting *Blunt*, 3 F. Cas. at 761-62).

It is wholly anomalous to *reinstate* a remitted verdict based on a district court's failure in procedure. As this Court has repeatedly explained:

"the role of the district court is to determine whether the jury's verdict is within the confines set by state law, and to determine, by reference to federal standards developed under Rule 59, whether a new trial or remittitur should be ordered." *Browning-Ferris Indus. Of Vermont, Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257, 279 (1989); *Linn v. United States Plant Guard Workers of America, Local 114*, 383 U.S. 53, 65-66 (1966) ("If the amount of damages awarded is excessive, it is the duty of the trial judge to require remittitur or a new trial."); *Arkansas Valley Land & Cattle Co. v. Mann*, 130 U.S. 69, 72-76 (1889); *Northern Pac. R. Co. v. Hervert*, 116 U.S. 642, 646-47 (1886); *cf. Southern Railway-Carolina Div. v. Bennett*, 233 U.S. 80, 87 (1914) ("[A] case of mere excess upon the evidence is a matter to be dealt with by the trial court."). And where the verdict is unlawfully excessive, the party awarded damages may be offered a choice: submit to a new trial or agree to the amount of damages the court considers justified. *See Gasperini*, 518 U.S. at 433 (holding the trial judge's discretion includes "overturning verdicts for excessiveness and ordering a new trial without qualification, or conditioned on the verdict winner's refusal to agree to a reduction (remittitur)"); *id.* at 462-63 (Scalia, J., dissenting). But it makes no sense to reinstate a verdict the district court finds excessive merely based on a procedural failure.

Whatever else may be gleaned from the district court's opinion in this case, it is abundantly clear that the trial judge found the award of damages dramatically excessive. App. 32-33a. The bottom line here is straightforward: Because an excessive verdict may be cured one of two ways—voluntary acceptance of a remittitur or a new trial—the proper

remedy, where the district court fails to offer plaintiffs the option of submitting to a new trial in lieu of remittitur, is to remand and offer plaintiffs a new trial. Here, the panel chose a third, and manifestly unlawful option: reinstatement of an excessive verdict.

It is no answer to say, as did the Ninth Circuit, that the district court's order violated the Seventh Amendment. While the Seventh Amendment requires that a plaintiff be given the *option* of a new trial in lieu of remittitur, *Hetzel v. Prince William County*, 523 U.S. 208, 211 (1998), *it does not require that an excessive verdict be reinstated.* To the contrary, it would be wrong for the district court to find a verdict excessive but ignore that pivotal finding and enter judgment on the excessive verdict. *Fenner v. Dependable Trucking Co.*, 716 F.2d 598, 603 (9th Cir. 1983) ("Once the trial court finds a verdict excessive, the court cannot allow it to stand."). But that is precisely what the Ninth Circuit did here.

Nor can the Ninth Circuit's approach be excused as a mere matter of judicial economy. Here Judges Pregerson, Cowen, and Thomas made no effort to determine whether the district court abused its discretion in ordering remittitur. And, indeed, the district court was well within its discretion. Given that respondents provided no formula for the determination of unjust enrichment and that the record clearly demonstrated that a substantial portion of Braun's profits were justly earned, the trial judge was surely entitled to find that some portion of this excessive verdict was borne out of a desire to punish rather than compensate. App. 32a.

As the trial judge found in this case, such an award is not supported by the evidence and is, thus, unlawfully excessive. App. 33a.

In light of the Reexamination Clause and the institutional advantages that inhere in a trial court, appellate review of remittitur must be circumscribed. As this Court has explained: "The very nature of the [Reexamination] problem counsels restraint" by the court of appeals. *Gasperini*, 518 U.S. at 438 (internal quotations omitted). After all, it is the trial judge—with a bird's eye view of the proceedings—who is in the best position to determine whether or not a jury verdict is excessive. Trial judges have the "unique opportunity to consider the evidence in the living courtroom context" while appellate judges see only the "cold paper record." *Id.* at 438 (quotation omitted). Accordingly, the trial judge is afforded "the benefit of every doubt," and reversed only for an abuse of discretion. *Id.* at 435 (quotation omitted). That high bar for appellate review cannot be met here.

In this case, far from exercising the cautious restraint counseled by *Gasperini*, the Ninth Circuit traversed jurisdictional boundaries and overturned an order that was neither final nor appealable. After all, in the normal course, a remittitur—like the grant of a new trial—is not final or appealable until the plaintiff has rejected the reduced verdict and submitted to a new trial. *Cf. Donovan v. Penn Shipping Co.*, 429 U.S. 648, 650 (1977). Rather, an order remitting damages is "incomplete, interlocutory, and not appealable." *Higgins v. Smith Int'l, Inc.*, 716 F.2d 278, 281 (5th Cir. 1983); *see also O'Gilvie v. Int'l Playtex, Inc.*, 821 F.2d 1438, 1447-48

(10th Cir. 1987) (noting that "ordinarily" a "remittitur is an interlocutory order because the plaintiff must be given the option of a accepting a new trial as an alternative to accepting the remittitur, and the grant of a new trial is not appealable until after the second trial has been held"). Thus, a "reduced verdict will not be ripe for appeal unless plaintiff rejects the reduced verdict and completes a new trial." *In re Joint Eastern & Southern Dist. Asbestos Litig.*, 52 F.3d 1124, 1139 (2d Cir. 1995). Although respondents could rightly challenge the fact that they were not offered the option of a new trial, as required by the Seventh Amendment, the *amount* of the reduced verdict was never properly before the Ninth Circuit. At bottom, the panel reached out to decide an issue that properly should have been deferred following remand to allow a new trial (or waived by respondents should they elect to accept the remittitur). *See Kennon*, 131 U.S. at 30.[1]

In *Joint Eastern & Southern District Asbestos Litigation*, for example, the district court granted defendant's post-trial motion for judgment as a matter of law finding no causation, and, in the alternative, granted remittitur. 52 F.3d at 1139.

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[1] The only authority cited in passing by the Ninth Circuit in imposing its remedy is wholly inapposite. In *Silver Sage Partners, Ltd. v. City of Desert Hot Springs*, 251 F.3d 814 (9th Cir. 2001), the district court had *granted* the prevailing party the option of a new trial in lieu of remittitur, and the party had *exercised* that option. *Id.* at 818. Only on appeal *following the second trial* did the Ninth Circuit determine that the district court had abused its discretion in ordering remittitur and therefore it reinstated the original jury award. *See id.* at 825.

The plaintiff was not offered a new trial. The Second Circuit reversed on causation and the plaintiff argued that the court should reinstate the jury's verdict. The Second Circuit disagreed, explaining that—although the order granting remittitur without a new trial was appealable—the reduced verdict was not. Rather, a reduced verdict was not "ripe for appeal unless plaintiff rejects the reduced verdict and completes a new trial." *Id.* at 1139. Unless and until plaintiff did so, the appellate court was without jurisdiction. Thus, the Second Circuit remanded to the district court with instructions that the plaintiff "be afforded the opportunity" to choose a new trial in lieu of remittitur. *Id.* That was the proper course for the Ninth Circuit to have followed here.[2]

CONCLUSION

For the foregoing reasons, this Court should grant the petition for writ of certiorari. Given the clarity of the issues presented and the uniformity of the courts of appeals, the Court may also consider summarily reversing—ordering the Ninth Circuit to vacate its decision reinstating the full jury verdict on compensatory trade secret damages and to remand to the district court with instructions to offer respondents the option of a new trial in lieu of remittitur.

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[2] If respondents were to reject remittitur on remand, resulting in a new trial, and then subsequently appeal, then and only then would it be proper for the Ninth Circuit to consider—under the highly deferential abuse of discretion standard—whether or not to reinstate the jury's verdict. *See, e.g., Kirsch v. Fleet St., Ltd.*, 148 F.3d 149 (2d Cir. 1998); *Ash v. Georgia-Pacific Corp.*, 957 F.2d 432, 438 (7th Cir. 1992).

Respectfully submitted,

Gary Dukarich
Joel A. Kauth
CHRISTIE, PARKER, & HALE, LLP
3501 Jamboree Rd. #6000
Newport Beach, CA 92660

Kenneth W. Starr
Counsel of Record
Daniel F. Attridge, P.C.
Edward C. Donovan
Andrew B. Kay
John C. O'Quinn
Justin P.D. Wilcox
KIRKLAND & ELLIS LLP
655 15th Street, N.W.
Washington, DC 20005
(202) 879-5000

June 20, 2006

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NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

B. BRAUN MEDICAL, INC., a Pennsylvania corporation *Plaintiff-counter-defendant-Appellant,* v. BOBBY EUGENE ROGERS, an individual; ROZI MEDICAL DEVICES LIMITED, an Ohio limited liability company, aka Rozi LLC, *Defendants-counter-claimants-Appellees.*	No. 03-56193 DC No. CV-98-00250-RMB MEMORANDUM*
B. BRAUN MEDICAL, INC., A Pennsylvania corporation, *Plaintiff-counter-defendant-Appellee,* v. BOBBY EUGENE ROGERS, an individual; ROZI MEDICAL DEVICES LIMITED, an Ohio limited liability company, aka Rozi LLC, *Defendants-counter-claimants-Appellants.*	No. 04-56836 DC No. CV-98-00250-RMB

* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by 9th Cir. R. 36-3.

[FILED Jan. 13, 2006, Cathy A. Catterson Clerk]

Appeal from the United States District Court for the Southern District of California

Rudi M. Brewster, District Judge, Presiding

Argued and Submitted Dec. 6, 2005
Pasadena, California
Before: Pregerson, Cowen,** and Thomas, Circuit Judges

B. Braun Medical, Inc. ("Braun") appeals the judgment of the district court awarding damages and equitable relief in the form of patent reassignment. Bobby Eugene Rogers and Rozi Medical Devices Limited, an Ohio limited liability company (collectively, "Rozi"), cross-appeal.

Although we need not recount all of the complex factual and procedural history of this case, a very brief summary is necessary for convenient reference. This case arises out of a license agreement ("License Agreement") between the parties which gave Braun the right to develop a marketable version of a capless valve for an intravenous device, which Rozi had patented ("the '114 Patent"). In order to encourage Braun to develop a product from the '114 Patent, Rozi retained ViR Engineering ("ViR") to prepare design alternatives. ViR did so, in what the parties have referenced as "Phase I" of the project. The results of Phase I were presented to Braun. Braun contracted with ViR for

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** The Honorable Robert E. Cowen, Senior United States Circuit Judge for the Third Circuit, sitting by designation.

further development of the product, which was accomplished in "Phase II" of the project. Braun asked ViR to assign its rights to the work product completed in Phase II to Braun, which ViR did. Braun, without notifying Rozi, then filed a patent application based on the Phase II work and was granted a patent ("the '451 Patent"). Ultimately, the '451 Patent became a Braun product named Ultrasite. After Rozi discovered the Braun patent and disputed Braun's right to it, Braun filed the instant action, seeking a declaration that it was sole owner of the '451 Patent. Rozi filed a counterclaim seeking, *inter alia,* damages for misappropriation of trade secrets and equitable relief in the form of patent reassignment.—A jury awarded $16 million in compensatory damages, $2.5 million in future damages for misappropriation of trade secrets, $1 million in damages for fraud, and $1.25 million in punitive damages for fraud. The district court enhanced the trade secret damages by $5 million for wilful and malicious conduct pursuant to Cal. Civ.Code § 3426.3.

Following post-trial motions, the district court reduced the $16 million compensatory damage award to $5 million. The district court then conducted an equitable bench trial nd ordered Rozi to elect either the $2.5 million future damages award or ownership of the '451 Patent with an exclusive license to Braun. Rozi chose patent ownership, and the district court entered final judgment assigning the '451 Patent to Rozi.

I

The district court correctly concluded that Rozi's action for misappropriation of trade secrets pursuant to the California Unfair Trade Secrets Act ("CUTSA"),

Cal. Civ.Code § 3426 *et seq*, was not barred by the statute of limitations. Under CUTSA, an action for misappropriation of a trade secret must be brought "within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered." Cal Civ Code § 3426.6. Under California law, "a *suspicion* of wrongdoing, coupled with a knowledge of the harm and its cause, will commence the limitations period." *Jolly v. Eli Lilly & Co.*, 44 Cal.3d 1103, 245 Cal.Rptr. 658, 663, 751 P.2d 923 (1988) (interpreting California Code of Civil Procedure § 340) (emphasis in original). "While resolution of the statute of limitations issue is normally a question of fact, where the uncontradicted facts established through discovery are susceptible of only one legitimate inference," a court may determine a statute of limitations issue as a matter of law. *Id.* at 663.

The first point at which Rozi could have reasonably suspected wrongdoing occurred in April 1995, when Rozi learned that Braun intended to bring a capless valve to market. Although the record indicates that Rozi presumed that the valve was not covered by the License Agreement, a reasonable person may have been suspicious enough to investigate whether Braun's capless valve was covered by the License Agreement. Had they investigated, Rozi would have likely discovered that ViR had assigned its rights in Phase II to Braun, and that Braun had applied for the '451 Patent.

Assuming that the statute of limitations began running in April 1995, Rozi was required to bring its cause of action for misappropriation of trade secrets prior to April 1998. Braun filed its action for

declaratory judgment in February 1998. Rozi filed their first counterclaim in February 1999 and filed its amended counterclaim asserting a trade secret misappropriation claim in June 1999.

The fact that Rozi did not file its counterclaim alleging misappropriation of trade secrets until 1999 does not end the inquiry because Braun's declaratory relief action tolled the statute of limitations on Rozi's claim. When a claim for trade secret misappropriation is pled as a counterclaim and arises out of the same facts as the plaintiff's claim, the statute of limitations "is a bar to the defendant's affirmative claim only if the period has already run when the complaint is filed. The filing of the complaint suspends the statute during the pendency of the action, and the defendant may set up his [counter]claim by appropriate pleading at any time." *Sidney v. Sup.Ct.*, 198 Cal.App.3d 710, 244 Cal.Rptr. 31, 34 (1988). Thus, under California law, the filing of Braun's declaratory judgment action before the statute of limitations ran on Rozi's counterclaim tolled the statute of limitations because both the action for declaratory relief and the claim of misappropriation of trade secrets were based on the same underlying facts. As a result, even starting the statute of limitations at the earliest possible time-April 1995-Rozi's counterclaim asserting a trade secret misappropriation claim was timely filed as a matter of law and it was unnecessary to submit the issue to the jury.

Braun argues that the statute of limitations began running in 1993, when Rozi returned the check that Braun had sent to cover half of the expenses for Phase I, with the explanation that Rozi retained sole ownership of Phase I. These events were clearly

insufficient to put Rozi on notice that Braun claimed sole ownership of the Phase I materials and would later convert the Phase I materials for its own use through a patent application. While Rozi may have known that Braun claimed *some* ownership in Phase I, there was no suggestion in March of 1993 that Braun would take Phase I in its entirety for Braun's own use. Indeed, there is no evidence in the record that Rozi knew or should have known of Braun's acquisition of the rights to Phase II or its application for Patent '451 prior to April 1995. Rather, the parties continued their communications and relationship under the License Agreement, under which Braun was to develop a marketable product based on Patent '114 and Phase I.

II

A

The district court did not commit reversible plain error in its definition of the trade secret.[1] Under plain

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[1] Braun did not distinctly preserve this issue for appeal. Indeed, Braun does not contend directly that it did; rather Braun argues in the passive voice that the district court "permitted" the case to proceed and "abdicated" its responsibilities. Braun did not file a motion for judgment as a matter of law raising the issue. Nor at the conclusion of the case did Braun claim the district court improperly refused to submit any requests to charge to the jury. Braun did file a motion *in limine* seeking to exclude evidence and argument based on the district court's allegedly overbroad definition of the trade secret at issue, but only sought the remedy of excluding evidence and argument "other than Types I and III or any attributes of Types I and III other than the flow-thru design and rigid tip insert." This is insufficient to preserve an objection for judgment as a matter of law. Moreover, although it had a full opportunity to do so, with some limited exceptions, Braun did not argue to the jury that Rozi's definition of trade secret was too broad, nor did it make a contemporaneous trial objection re-

error review, we exercise our discretion to correct the error only if it "seriously affect[s] the fairness, integrity or public reputation of judicial proceedings." *United States v. Olano*, 507 U.S. 725, 732, 113 S.Ct. 1770, 123 L.Ed.2d 508 (1993).

In a misappropriation of trade secret case, under California law, a plaintiff must "describe the subject matter of the trade secret with sufficient particularity to separate it from matters of general knowledge in the trade or of special knowledge of those persons who are skilled in the trade, and to permit the defendant to ascertain at least the boundaries within which the secret lies." *Diodes, Inc. v. Franzen*, 260 Cal.App.2d 244, 67 Cal.Rptr. 19, 24 (1968), *accord Imax Corp. v. Cinema Techs.*, 152 F.3d 1161, 1163-64 (9th Cir.1998).

In this case, the district court adopted the plaintiff's definition of the trade secret at issue in chambers, outside the presence of the jury. Braun claims that the definition was overly broad. However, the definition was never communicated to the jury, and Braun concedes that the jury was properly instructed. Braun does not argue on appeal that the district court improperly rejected any instruction that it tendered purporting to define the subject matter of the trade secret. Because the jury was not exposed to the allegedly overly broad definition and determined that a trade secret existed based on proper instructions, any error that resulted from the court's erroneous in chambers definition of the trade secret did not rise to the level of plain error.

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asserting the objection. *See United States v. Archdale*, 229 F.3d 861, 864 (9th Cir.2000). In short, Braun is claiming plain error.

B

The district court did not abuse its discretion in excluding evidence of two patents that Braun wished to present to show that substantial combinations of the features found in the Phase I designs were in the public domain. The evidence tendered did not prove what was in the public domain at the time that Braun allegedly misappropriated Rozi's trade secrets. Both patents were issued after the Braun applied for the '451 Patent and after the alleged misappropriation took place. The state of industrial knowledge *after* the alleged misappropriation is irrelevant to determining whether a trade secret existed *at the time* of the alleged misappropriation.

Furthermore, even if the district court did erroneously exclude evidence of the other patents, any resulting error was harmless. In the fourteen-day trial, Braun presented a large volume of evidence suggesting that the elements and arrangements of the Phase I designs were commonly known throughout the industry.

III

The district court erred in reducing the jury's compensatory damage award. The CUTSA permits an injured party to recover "damages for the actual loss caused by misappropriation" and for any "unjust enrichment caused by misappropriation that is not taken into account in computing damages for actual loss." Cal. Civ.Code § 3426.3. *See also Vermont Microsystems v. Autodesk, Inc.*, 138 F.3d 449, 452 (2d Cir.1998) (applying California law and explaining that section 3426.3 permits recovery of both actual damages and unjust enrichment as long as there is no double counting). Even though an appropriating party's

profits are not entirely traceable to its misappropriation, the complaining party may still recover a portion of its profits. *See, e.g., Digital Envoy, Inc., v. Google, Inc.*, No. 04-1497, 2005 WL 2999364, 2005 U.S. Dist. LEXIS 27939, at *16 (N.D.Cal. Nov. 8, 2005) ("use of a party's trade secret need not be the sole source of a defendant's profits where a plaintiff has shown some causal nexus between such profits and the use of its trade secrets"). A plaintiff may recover a reasonable royalty only "where the court finds that neither actual damages to the holder of the trade secret nor unjust enrichment to the user is provable." *Cacique, Inc. v. Robert Reiser & Co.*, 169 F.3d 619, 623 (9th Cir.1999) (applying California law). Therefore, to the extent that the district court's decision was based on its view that Rozi was not entitled to damages for unjust enrichment, the district court erred as a matter of law.

To the extent that the district court reduced the damages award because it viewed the award as excessive, it violated the Seventh Amendment's admonition that "no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law." U.S. Const. Amend. VII. A court violates the Seventh Amendment's guarantee of a jury trial by ordering a remittitur without affording the party the option of a new trial. If a court determines that a jury's damages award is excessive after viewing the evidence in the light most favorable to the prevailing party,

> [i]t may grant defendant's motion for a new trial or deny the motion conditional upon the prevailing party accepting a remittitur. The prevailing party is given the option of

> either submitting to a new trial or of accepting a reduced amount of damage which the court considers justified.

Fenner v. Dependable Trucking Co., 716 F.2d 598, 603 (9th Cir.1983). Offering the prevailing party the option of a new trial avoids a violation of the Seventh Amendment. *Hetzel v. Prince William County*, 523 U.S. 208, 211, 118 S.Ct. 1210, 140 L.Ed.2d 336 (1998). In this case, the district court reduced the compensatory damages award without affording Rozi the option of a retrial. Under these circumstances, if the jury award is not against the clear weight of the evidence, it must be reinstated. *See Silver Sage Partners, Ltd. v. City of Desert Hot Springs*, 251 F.3d 814, 818-19 (9th Cir.2001).

In sum, to the extent that the district court founded its decision on a belief that the damages were precluded as a matter of law, it erred. To the extent that the district court substituted its own judgment as to the damages that should have been awarded, it violated the Seventh Amendment. The jury award for compensatory damages must be reinstated.

IV

The district court erred in denying Braun's motion for judgment as a matter of law on Rozi's fraud claim. In California, to support a fraud claim, a plaintiff must prove (1) misrepresentation, (2) knowledge of falsity, (3) intent to induce reliance, (4) justifiable reliance, and (5) damages. *Seeger v. Odell*, 18 Cal.2d 409, 115 P.2d 977, 981 (1941). Each element must be proved in order to sustain a fraud claim. *Moore v. Brewster*, 96 F.3d 1240, 1245 (9th Cir.1996) (applying California law) ("The indispensable elements of a fraud claim include a false representation, knowledge of its falsity,

intent to defraud, justifiable reliance, and damages.") (superceded by statute on other grounds). Under California law, "[i]t is axiomatic that to obtain a recovery for fraud, a claimant must prove, *inter alia,* that damages were sustained as a proximate cause of the fraudulent conduct." *Kruse v. Bank of America,* 202 Cal.App.3d 38, 248 Cal.Rptr. 217, 230 (1988). "Deception without resulting loss is not actionable fraud." *Service by Medallion, Inc. v. Clorox Co.,* 44 Cal.App.4th 1807, 1818, 52 Cal.Rptr.2d 650 (Cal.App.1996).

The record in this case is devoid of specific evidence of damages sustained as a proximate cause of the alleged fraud. Rozi did not offer specific evidence as to fraud damage, nor did it argue specific damages to the jury. Rather, Rozi's counsel argued in closing as to the fraud claim:

> The damage here is tougher. We don't have accounting data from which an expert can come in and calculate to you that damage which has to be separate, as I said, from the trade secrets. I'm going to have to leave it to your good judgment to figure out what the damage award should be. What is it-you know, and you're allowed broad latitude in this endeavor. If an inventor has a dream and he's successful and he puts out a wonderful product, the patent-I'm not saying the device itself but that patent that can be useful, and he's deprived of its use, what is that worth on an independent basis from everything else you've heard. I don't know that I'm even so much talking about the strict economic value as much as the

> rest of it, the value of getting the satisfaction of the recognition of yourself as someone who made a significant contribution into the world.
>
> That 114 patent had significant value. We know that. In 1992 they were willing to pay $300,000 plus 250-right at-350 plus 250 right up front. It had significant value. Where could he have gone? What could he have sold it for? I don't think this is going to be a big number. We saw big numbers. This is not going to be a number in that magnitude.
>
> But I would submit to you that it's also not a small thing. It should not be demeaned or diminished. I think myself your damage award for fraud should be in the area of $1,000,000. I think it should be enough to let Braun know that they shouldn't play with their power, that they can't be one of the 800-pound gorillas. I told you not to punish them as a corporation. In fact, punishment would come later if we get to that stage, but don't let them walk around with impunity just because they're big. Treat them by the same standards that you'd treat other human beings.

In short, in his closing argument Rozi's counsel properly conceded that Rozi had offered no specific proof of damage proximately caused by fraud independent of the damages associated with the trade secret misappropriation claim. Rather, his theory of fraud damages was based on "loss of a dream," "the value of getting the satisfaction of the recognition of

yourself as someone who made a significant contribution into the world," and punishment.

Under California law, speculative fraud damages are not actionable. *Agnew v. Parks,* 172 Cal.App.2d 756, 758, 343 P.2d 118 (Cal.App.1959). Rozi's counsel implied in his closing argument-and Rozi now argues on appeal-that Rozi would have terminated its contract with Braun and sold its rights for more money had it know of Braun's actions. However, the only evidence in the record to support this theory consists of generalized market speculations, such as that there was "serious competition" during the relevant period. In addition, California courts have rejected the theory that "a party duped into performing an existing contractual obligation has suffered damage." *Auerbach v. Great Western Bank,* 74 Cal.App.4th 1172, 1185, 88 Cal.Rptr.2d 718 (Cal.App.1999).

In denying Braun's motion for a judgment as a matter of law, the district court correctly noted that Rozi had lost three years development time on the patent. However, there was no specific proof of damage that Rozi tendered as the proximate result of this time loss. The only support for the jury's $1,000,000 fraud damage award is contained in counsel's closing argument and, as we have discussed, his rationale cannot sustain a verdict for actionable fraud. For these reasons, the district court erred in denying Braun's motion for judgment as a matter of law on the fraud claim.

V

The district court erred when it granted equitable relief in the form of patent reassignment because that remedy is not permitted by California law. The CUTSA prescribes its own scope. It states that it

"does not affect (1) contractual remedies, whether or not based upon misappropriation of a trade secret, (2) other civil remedies that are not based upon misappropriation of a trade secret, or (3) criminal remedies, whether or not based upon misappropriation of a trade secret." Cal Civ Code § 3426.7. This language has been interpreted to mean that the CUTSA was intended to occupy the field in California. *Accuimage Diagnostics Corp. v. Terarecon, Inc.*, 260 F.Supp.2d 941, 954 (N.D.Cal.2003).

The CUTSA specifically prescribes the remedies that are available to the complaining party in an action for misappropriation of trade secrets. With respect to injunctive relief, it provides:

> (a) Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.
>
> (b) If the court determines that it would be unreasonable to prohibit future use, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time the use could have been prohibited.
>
> (c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.

Cal Civ Code § 3426.2.

Although California courts not have interpreted whether patent reassignment is an available remedy for trade secret misappropriation, the plain meaning of section 3426.2 suggests that it is not. Section 3426.2 states that injunctive relief is only available to *protect* a trade secret. Once a trade secret has been widely disclosed, it is no longer secret and does not merit injunctive relief.[2]

In California, when information "is generally known in the trade and already used by good faith competitors, it is not a protectable trade secret and injunction should not issue." *Am. Paper & Packaging Prods., Inc. v. Kirgan*, 183 Cal.App.3d 1318, 1326, 228 Cal.Rptr. 713 (1986). "Matters disclosed in a patent publication destroy any trade secret contained therein." *Henry Hope X-Ray Prods., Inc. v. Marron Carrel, Inc.*, 674 F.2d 1336, 1342 (9th Cir.1982).

In this case, the district court assigned the '451 Patent to Rozi based on Braun's alleged misappropriation of trade secrets. That remedy is an impermissible form of injunctive relief under CUTSA because CUTSA only permits an injunctive relief to the extent that it is necessary to protect a trade secret. At the time the district court entered its order, any trade secret had been disclosed in the '451 Patent and therefore ceased to exist.

The Federal Circuit's decision in *Richardson v. Suzuki Motor Co. Ltd.*, 868 F.2d 1226, 1250 (Fed.Cir.1989) (applying California law), in which the

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[2] This is not to say that patent reassignment is not available where the remedy is based on a cause of action other than misappropriation of trade secrets. *Cubic Corp. v. Marty*, 185 Cal.App.3d 438, 229 Cal.Rptr. 828 (1986) (granting reassignment based on a breach of contract).

Federal Circuit assigned a patent as a remedy for a misappropriation of trade secrets, does not require a contrary conclusion because it was decided on pre-CUTSA law. The trade secret misappropriation at issue in *Richardson* occurred in 1982, before California enacted the CUTSA. 868 F.2d at 1250. As the California Supreme Court explained in *Cadence Design Systems, Inc. v. Avant! Corp.*, 29 Cal.4th 215, 127 Cal.Rptr.2d 169, 57 P.3d 647 (2002), common law governs claims that arose before the effective date of the CUTSA, and the statute-including its limitation of remedies-governs those that occur after enactment of the statute. *See id.* at 652.

Rozi attempts to justify the district court's assignment based on principles of constructive trust. However, the CUTSA does not provide for the remedy of the imposition of a constructive trust either. Thus, because the remedy fashioned by the district court was not permitted under applicable California law, the district court erred in ordering it.

VI

In sum, we affirm the judgment of the district court in part and reverse it in part. The district court did not err in determining that Rozi's claim for trade secret misappropriation was not barred by the statute of limitations. It did not commit plain error in its in-chambers acceptance of Rozi's trade secret definition. It erred in its reduction of the compensatory damage award, in denying Braun's motion for judgment as a matter of law on the fraud claim, and in awarding Rozi patent reassignment. Given our resolution of these issues, we need not reach any other issue urged by the parties.

Therefore, we modify the judgment of the district court as follows: (1) The jury's compensatory damage award of $16 million and the future damage award of $2.5 million for misappropriation of trade secrets are reinstated; (2) the jury's $1 million fraud damage award is vacated; and (3) the order granting patent reassignment to Rozi is vacated. In all other respects, we affirm the judgment of the district court. The modified judgment shall be entered accordingly. Each party shall bear its own costs on appeal.

AFFIRMED IN PART; REVERSED IN PART

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

B. BRAUN MEDICAL, INC., a Pennsylvania corporation *Plaintiff-counter-defendant-Appellant,* v. BOBBY EUGENE ROGERS, An Individual; et al. *Defendants-counter-claimants-Appellees,*	No. 03-56193 DC No. CV-98-00250-RMB ORDER

B. BRAUN MEDICAL, INC., a Pennsylvania corporation *Plaintiff-counter-defendant-Appellant,* v. BOBBY EUGENE ROGERS, An Individual; et al. *Defendants-counter-claimants-Appellees,*	No. 05-55596 DC No. CV-98-00250-RMB/RBB Southern District of California, San Diego

[FILED Mar. 22, 2006, Cathy A. Catterson, Clerk]

Before: Pregerson, Cowen,* and Thomas,
Circuit Judges

The panel has voted to deny the petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for rehearing en banc, and no judge of the court has requested a vote on the suggestion for rehearing en banc. Fed. R. App. P. 35(b).

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.

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* The Honorable Robert E. Cowen, Senior United States Circuit Judge for the Third Circuit, sitting by designation.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

B. BRAUN MEDICAL, INC., **Plaintiff,** **vs.** **BOBBY EUGENE ROGERS, ET AL,** **Defendants.**	**CIV. NO. 98CYO250-B (RBB)** **ORDER RE POST-TRIAL MOTIONS**
BOBBY EUGENE ROGERS, ET AL, **Counterclaimants,** **vs.** **B. BRAUN MEDICAL, INC.,** **Counterdefendant.**	

Following a jury trial and an equitable bench trial Bobby Eugene Rogers and RoZi L.L.C. (Collectively "Rogers") were awarded damages for fraud and trade secret misappropriation, and equitable and legal ownership of the Ultrasite® valve and United States Patent No. 5,439,451 (the "451 Patent") subject to a

court-imposed license back to B. Braun Medical, Inc. ("Braun"). Both parties have submitted post-trial motions:

- Braun's Motion to Stay Action Pending Appeal
- Braun's Motion for Judgment as a Matter of Law
- Braun's Motion for New Trial
- Braun's Motion for Remittitur
- Braun's Motion for Modification of Right of First Refusal Remedy
- Roger's Motion for Remittitur of the Equitable License to Braun

The Court has disposed of two of Braun's above motions in prior proceedings. Braun's Motion for Stay Pending Appeal was granted and is supported by Braun's previously filed appeal bond in the sum of $30,000,000. Braun's Motion to Delete the Right of First Refusal of the court-imposed license as a condition of granting equitable and legal ownership of the '451 Patent to Rogers was granted. Accordingly, the Court imposed an exclusive license to Braun for the Ultrasite valve and the '451 Patent as a condition of conveying equitable and legal ownership of the Ultrasite valve and the '451 Patent to Rogers.

Therefore, the motions remaining for consideration are Braun's motions for judgment as a matter of law, new trial and remittitur, and Rogers' motion for remittitur.

BACKGROUND

Braun is a Pennsylvania corporation that develops, manufactures and sells intravenous solutions, medical devices, and supplies for use by facilities such as trauma centers, hospitals and clinics. Rogers is the

owner of U.S. Patent No. 5,006,114 (the "114 Patent") covering a type of capless needle-free valve.[1] In January 1992, Rogers entered into an exclusive license agreement with Braun to develop and exploit a valve under the '114 Patent. Per the license agreement, Braun was given a first right of refusal to exploit any new developments made by Rogers that were related to, but not covered by, the '114 Patent.

About a year into the agreement, Rogers became concerned with Braun's apparent lack of efforts to bring a valve to market. As a result, Rogers took the '114 Patent, prototype valves, and a list of perceived problems with the prototype to a firm called ViR Engineering. Rogers engaged ViR to come up with a preliminary survey of possible design concepts for a valve at a cost of $15,000. ViR presented a written report containing five possible design concepts to Rogers, and and Rogers shared the report with Braun. This work became known as Phase One and was paid for by Rogers.

In the Phase One report, ViR recommended that it be commissioned to perform a more intensive research and development effort. The goal of this second effort was a prototype valve with commercial value. ViR estimated this effort would cost approximately $200,000. Rogers was enthusiastic about ViR's recommendation. Accordingly, Rogers advised Braun and ViR of their intention to continue development efforts with ViR, with or without Braun. (*See* Exh. 24).

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[1] The subject matter of the '114 Patent was invented by Bobby Eugene Rogers and Robert L. Zimmer. Zimmer is now deceased and his share of the '114 Patent is owned by RoZi L.L.C.

Braun agreed to underwrite the cost of the continued development. Braun's offer was consistent with the '114 agreement. Under the '114 agreement, Braun could consent in advance to pay for Rogers' development costs and Braun would have a license interest in the resulting technology. One the one hand, if the resulting product was covered by the '114 Patent Braun would hold an exclusive license to exploit it. On the other hand, if the product was related to, but not covered by, the '114 Patent, then Braun would have a right of first refusal to exploit the product. Since the development work was based upon the '114 Patent Braun was guaranteed a license or at least a right of first refusal. Thereafter, Braun paid ViR's further development costs. This development became known as Phase Two, to develop a prototype valve, and Phase Three, to produce tooling for manufacturing the resulting medical valve.

But in addition to paying for the further development, Braun secretly obtained an assignment from the four ViR engineers that performed the Phase Two and Phase Three work after the engineers had achieved a promising prototype valve. Under the terms of the assignment ViR assigned all their rights to the valve and the designs to Braun. Braun immediately applied for a patent on the Ultrasite valve and were issued the '451 Patent on August 8, 1995.

Although Rogers paid for Phase One and initiated Phases Two and Three, Braun acted as the chief contact with ViR once Braun began funding the research. Periodically, Rogers asked Braun for the status of ViR's development work. Braun responded with misleading and untruthful status reports. Braun claimed it was diligently working on a valve under the

'114 Patent and concealed ViR's development of the Ultrasite valve and the assignment of the '451 Patent.

As time went on Rogers became dissatisfied with Braun's apparent lack of development of a valve under the '114 license agreement. Rogers suggested amending the agreement or terminating it so that he could find another manufacturer to design a valve under his invention. In response, Braun declined to amend the '114 agreement and repeatedly informed Rogers that it was expending resources on development of a valve under the '114 Patent when in fact it was doing no such thing.

Finally, in March 1997, Rogers terminated the '114 agreement. At this time, Rogers had no knowledge of the ViR's assignment or the '451 Patent. In the termination letter, Rogers advised Braun that it would be pursuing any designs developed by ViR. In response, Braun wrote, "Presumably this statement does not refer to any designs which were paid for and remain the property of B. Braun. Products we currently are marketing you should note are patented devices based on work independently commissioned or developed by B. Braun." Braun then filed suit for declaratory judgment that the '451 Patent was the property of Braun and not Rogers. Rogers answered with a request for equitable relief "as the Court deems just and proper." Rogers also counterclaimed seeking legal damages for fraud and trade secret misappropriation.

In July 2003, a jury addressed the claims at law. The jury found that Braun had misappropriated Rogers' trade secrets, that the trade secrets contributed to developing and patenting the Ultrasite technology, and that Braun had defrauded Rogers

when Braun repeatedly told Rogers it was continuing to work on and develop a valve under the '114 Patent. The jury then awarded Rogers $16,000,000 in past damages and $2,500,000 in future damages for trade secret misappropriation, and $1,000,000 in compensatory damages and $1,250,000 in punitive damages for fraud. Upon the jury's finding that Braun's misappropriation of trade secrets was willful and malicious, the Court further awarded Rogers exemplary damages of $5,000,000 on the trade secret misappropriation claim.

Following the jury trial, the Court held an equitable bench trial to determine Braun's declaratory relief action regarding ownership of the Ultrasite valve and the '451 Patent. The Court concluded Rogers was the equitable owner of the '451 Patent and gave Rogers a choice between accepting the future damages award granted by the jury or assignment of the '451 Patent subject to an exclusive license to Braun. Rogers chose assignment of the '451 Patent, thus waiving the future damages award of $2,500,000.

Braun now seeks judgment as a matter of law on each element of the judgment. In the alternative Braun asks the Court for new trial on all issues, and failing that remittitur of the compensatory and exemplary damage awards for trade secret misappropriation. Rogers seeks a remittitur of the license condition from the equitable assignment of the patent to Rogers.

DISCUSSION

STANDARDS OF LAW

1. Judgment As A Matter Of Law - Federal Rule Of Civil Procedure 50

A motion for judgment as a matter of law must be denied, and a jury verdict upheld, if the judgment is supported by substantial evidence. *Johnson v. Paradise Valley Unified School District*, 251 F.3d 1222, 1227 (9th Cir. 2001). Substantial evidence is evidence adequate to support the jury's conclusion, even if it is possible to draw a contrary conclusion from the same evidence. The Court must review the record as a whole but disregard all evidence favorable to the moving party that the jury is not required to believe. All reasonable inferences must be drawn in the light most favorable to the nonmoving party. *See Anderson v. Liberty Lobby. Inc.*, 477 U.S. 242, 250-51 (1986). However, the Court may not substitute its view of the evidence for the jury's, may not make credibility determinations, and may not weigh the evidence. *Johnson*, 251 F.3d at 1227. Judgment as a matter of law is available to issues of damages and liability.

2. New Trial - Federal Rule Of Civil Procedure 59

The decision to grant or deny a new trial rests within the sound discretion of the Court. *Allied Chemical Corp. v. Daiflon. Inc.*, 449 U.S. 33, 36, (1980). A trial court may grant a new trial if the verdict is "contrary to the clear weight of the evidence, or is based upon evidence which is false, or to prevent, in the sound discretion of the trial judge, a miscarriage of justice." *Richardson v. Suzuki Motor Co.* 868 F.2d 1226, 1245 (Fed.Cir. 1989), cert. denied, 493 U.S. 853 (1989). In general, a court should grant a new trial only when the judge "is left with the definite and firm conviction that a mistake has been committed." *Landes Constr. Co. v. Royal Bank of Canada*, 833 F.2d 1365, 1372 (9th Cir. 1987). Thus, a jury verdict should ordinarily be set aside only when the verdict is against

the weight of evidence or it is clear that the jury reached an erroneous result. *Digidyne Corporation v. Data General Corp.*, 734 F.2d 1336, 1347 (9th Cir. 1984).

3. Remittitur

Remittitur is available to correct excessive verdicts. *Pershing Park Villas v. United Pacific Insurance*, 219 F.3d 895, 905 (9th Cir. 2000). A trial court reviewing a damages award attacked as excessive must consider the evidence of damages in a light most favorable to the prevailing party. *Seymour v. Summa Vista Cinema. Inc.*, 809 F.2d 1385, 1387 (9th Cir. 1987), opinion amended on other grounds, 817 F.2d 609 (9th Cir. 1987). If the Court concludes that a damages award is excessive it should determine whether the request for remittitur was brought pursuant to a request for new trial or judgment as a matter of law. If the request was brought pursuant to a motion for new trial the Court may grant the defendant's motion for a new trial, or deny the motion, conditioned upon the prevailing party's acceptance of a remittitur. *See Hetzel v. Prince William County. Va.*, 523 U.S. 208, 211 (1998). If the request was brought pursuant to a motion for judgment as a matter of law, the Court may remit the damages without giving the prevailing party the option of a new trial. *See Tronzo v. Biomet, Inc.*, 236 F.3d 1342, 1350-51 (Fed. Cir. 2001); *Johansen v. Combustion Eng'g*, 170 F.3d 1320, 1330-31 (11th Cir. 1999); *Central Office Telephone, Inc. v. American Telephone & Telegraph Co.*, 108 F.3d 981,993 (9th Cir. 1997). A trial court granting a motion for remittitur does not substitute its judgment for that of the jury, but instead reduces the judgment to the maximum amount sustainable by the proof. *D & S Redi-Mix v.*

Sierra Redi-Mix & Contracting Co., 692 F.2d 1245, 1249 (9th Cir. 1982) (citations omitted).

ANALYSIS OF MOTIONS

Braun's Motions

1. Fraud

Braun moves for JMOL on the finding of fraud. The jury found Braun committed fraud when Braun repeatedly told Rogers it was working on developing a valve under the '114 agreement but was actually working on the Ultrasite valve. Braun asserts Rogers could not have reasonably relied on Braun's misrepresentations. And even if Rogers reasonably relied on these misrepresentations, Rogers did not suffer any detriment from his reliance.

Braun ignores the evidence on record. The record contains substantial evidence of all the elements of fraud. There is evidence that Braun carefully considered how to present its misrepresentations and even anticipated a suit from Rogers. In support of its position Braun points to a single statement by Rogers suggesting Rogers knew Braun was dishonest. But Braun misconstrues Rogers' testimony. Rogers' testimony indicates his understanding in 2003 of misrepresentations Braun made in 1994. It is Rogers' understanding and reliance in 1994 of Braun's misrepresentations that is controlling. Drawing all reasonable inferences in favor of Rogers, the record provides substantial evidence that Rogers reasonably relied on Braun's repeated misrepresentations that it was diligently working on a valve under the '114 Patent.

Alternatively, Braun claims that Rogers failed to present any evidence that he suffered as a result of

Braun's misrepresentation. Again, viewed in the light most favorable to Rogers, substantial evidence exists to support the jury finding. Rogers lost over three years waiting for Braun to develop a valve under the '114 license agreement because of Braun's continuous misleading statements. The jury was made aware that time is critical in the fast-moving world of medical technology and presumably realized that Rogers lost opportunities to devote his efforts in alternative directions.

Braun's concealment of its inaction of development of a valve under the '114 Patent is similar to Braun's concealment of its coordination with ViR to misappropriate any developments made by ViR. Braun contends its only fraud, if any, was the misappropriation. But the jury was instructed only to consider the concealment of delay in Braun's development of a valve under the '114 Patent.

The evidence amply sustains a finding of fraud. And $1,000,000 is a conservative award for compensatory damages from fraud considering the evidence that had been presented, without dispute, to the jury. Furthermore, the jury's finding, by clear and convincing evidence, that the fraud was malicious was amply supported by substantial evidence and the punitive damages award of $1,250,000 was conservative and justified by the evidence. Accordingly, Braun's motions for judgment as a matter of law on the fraud count is denied. For the same reasons, the evidence supporting a finding of liability is more than adequate. Similarly, Braun's motion for new trial is also denied on this claim, both as to liability and to damages.

2. Misappropriation Under California's Uniform Trade Secret Act

Rogers counterclaimed against Braun under California's Uniform Trade Secrets Act, California Civil Code section 3426. Section 3426 requires a claimant to show the claimant owned a trade secret, the defendant acquired, disclosed or used the claimant's trade secret through improper means; and (3) the claimant suffered damages as a result of the defendant's actions. *See Sargent Fletcher, Inc. v. Able Corp.*, 110 Cal.App.4th 1658, 1665-66 (2003). Here there is substantial evidence to support the jury findings that Rogers had a trade secret in Phase One, that this trade secret was shared with Braun as part of a confidential relationship under the '114 agreement, that Braun had misappropriated these trade secrets, and that the misappropriated trade secrets contributed to the Phase Two and Phase Three work for which monies were due Rogers. Because the evidence amply supports Braun's liability for trade secret misappropriation the motions for JMOL and new trial are denied as to liability.

3. Compensatory Damages Under California's Uniform Trade Secret Act

As to compensatory damages for misappropriation, the statute limits such damages to the "actual loss caused by the misappropriation" and "unjust enrichment that is not taken into account when computing damages for actual loss." *See* Cal. Civ. Code §3426.3(a). Braun claims the jury exceeded its authority in awarding $16,000,000 in compensatory damages to Rogers and seeks judgment as a matter of law, a new trial, or remittitur of the award. According to Braun any unjust enrichment of Braun was taken

into account in the actual loss and the size of the jury award reflects the jury's desire to punish Braun. Thus, the issue is whether Rogers' proof of actual loss subsumed any unjust enrichment.

Rogers counters that there was evidence before the jury indicating that Braun was enriched by approximately $25,000,000 and therefore the jury properly selected $16,000,000 as a measure of actual losses and unjust enrichment that Braun must disgorge. During trial Rogers presented evidence of Braun's profits and told the jury it was their job to determine how much was unjust enrichment. But there was little effort by Rogers to identify actual loss. Rogers based his claim for damages almost exclusively on the theory of unjust enrichment based upon Braun's profits.

In California unjust enrichment is a quasi-contractual remedy that under equitable principles acts to bar a wrongdoer from being unjustly enriched at the expense of another. *See Ward v. Taggart*, 51 Cal.2d 736, 741 (1959); *Hirsch v. Bank of America, N.A.*, 107 Ca1.App.4th 708, 721 (2003). This policy is encapsulated in Cal. Civ. Code Section 2224:

> One who gains a thing by fraud, ... or other wrongful act, is, unless he or she has some other and better right thereto, an involuntary trustee of the thing gained, for the benefit of the person who would otherwise have had it.

The "would otherwise have had it" language suggests an injured party must have had some reasonable expectation of retaining or receiving the gain enjoyed by the wrongdoer. Furthermore, a review of California case law found no case where a

wrongdoer's entire profits were disgorged unless the injured party would have otherwise retained the profits, or the wrongdoer owed a fiduciary duty to the injured party. *See, e.g., Ghirardo v. Antonioli*, 14 Ca1.4th 39 (1996); *Ward v. Taggart*, 51 Cal.2d 736, 740-742 (1959) (comparing recovery of unjust enrichment with recovery of secret profits).

How much of Braun's enrichment was unjust has not been determined. It is undisputed that Braun invested resources in the development, promotion and manufacturing of the Ultrasite valve. Thus, some of Braun's profits were due to Braun's own efforts and may be thought of as just enrichment. A party is "required to make restitution only if the circumstances of its receipt or retention are such that, as between two persons, it is unjust for him to retain it." *Ghirardo v. Antonioli*, 14 Cal.4th at 51 (internal quotes omitted). In this case, there should have been an expectancy by all parties, pursuant to the '114 agreement, that if ViR designed a valve not covered by the '114 Patent, that Rogers would own the design and Braun would have a right of first refusal for an exclusive license to exploit the invention. Thus, Braun would have been entitled to the profits it earned if it had not violated Rogers' legal and contractual rights. Under these circumstances all profits are not necessarily unjust enrichment. Because Rogers presented no methodology for the jury to distinguish unjust enrichment from general enrichment or actual loss the Court finds the jury improperly sought to punish Braun through the compensatory damages award based on profits and therefore the Court limits the award to what can be supported as actual loss.

During oral argument, both parties agreed actual loss includes royalties Rogers would have enjoyed had Rogers been able to license the '451 Patent on the open market. However, Rogers also suffered actual loss due to erosion of his reputation as an inventor, his inability to use the success of the Ultrasite valve and the '451 Patent to seek investment for future research, and lost goodwill regarding the '451 Patent and associated technology. Since the jury was aware that Rogers was a professional inventor, the jury could reasonably infer that Rogers suffered such losses as an inventor when he was wrongly denied credit for the Ultrasite valve and the '451 Patent, much the same way a corporation may suffer when it is wrongfully denied ownership of an important asset. Here, considering the totality of the evidence and the permissible inferences the jury could have made from it, the Court finds the maximum amount sustainable as actual loss is $5,000,000 for lost royalties and lost professional opportunities. Thus, as a matter of law, any actual loss award over $5,000,000 was not supported by sufficient evidence to sustain it. Therefore, the Court grants Braun's motion for judgment as a matter of law for compensatory damages in excess of $5,000,000 and remits $11,000,000 on this count. Braun's motion for new trial is denied.

4. Exemplary Damages Under California's Uniform Trade Secret Act

California's Uniform Trade Secret Act provides, "If willful and malicious misappropriation exists the court may award exemplary damages in an amount not exceeding twice any award made under subdivision (a) or (b)." Cal. Civ. Code § 3426.3(c). Based on the jury's finding of willfulness and malice the Court awarded Rogers $5,000,000 in exemplary damages. Braun

moves for JMOL, new trial and remittitur to reduce or eliminate this award. But JMOL is not available on an issue that was decided by a court. *See Granite State Ins. Co. v. Smart Modular Techs., Inc.*, 76 F.3d 1023, 1030-31 (9th Cir. 1996). Therefore, the Court will treat this request as a motion for reconsideration pursuant to Federal Rule of Civil Procedure 60.

Braun argues the award is inappropriate because this is not a case where Braun hired someone to steal Rogers' property or otherwise committed a criminal act. The Court is unimpressed with Braun's argument. Braun overlooks that trade secret misappropriation is a form of theft. *See* CaJ. Penal Code §499c. Ultimately, the gravamen of Braun's argument is that because its method of misappropriation was sophisticated, rather than a common street theft, it should not be punished with exemplary damages. But the Court views such a sophisticated corporate scheme of misappropriation as more egregious than a common street theft. Considering the totality of the evidence in this case, the Court finds an award of $5,000,000 in exemplary damages justified and notes that this is 50% of the statutory limit available to the Court under California Civil Code, section 3426.3(c). Therefore, the Court denies Braun's motions for reconsideration and new trial on this claim.

5. Equitable Assignment Of The Ultrasite Valve And The '451 Patent

Braun filed a complaint seeking an equitable judgment regarding ownership of the '451 Patent. Rogers, in their answer, sought relief as the Court deems just and proper. Following the jury trial the Court held a bench trial in equity to determine the ownership of the Ultrasite valve and the '451 Patent.

At Braun's request the Court heard additional testimony from several witnesses to supplement the evidence received in the jury trial. After taking the additional evidence and hearing argument from both sides the Court found Rogers is the equitable owner of the Ultrasite valve and the '451 Patent.

On the equitable ownership of the Ultrasite valve and the '451 Patent, Braun moves for JMOL and in the alternative new trial. Again, because JMOL is inappropriate in the context of a bench trial, the Court will review Braun's motion for JMOL as a motion for reconsideration. *See Granite State Ins.*, 76 F.3d at 1030-31. Thus, Braun need not show that no reasonable court would have awarded the Ultrasite valve and the '451 Patent to Rogers. Rather, Braun only needs to convince the Court that, considering the law, the evidence and the equities, the Court's decision was improper or inequitable.

Braun contends the Court should hold a new jury trial before granting equitable ownership of the Ultrasite valve and the '451 Patent to Rogers. In addition, Braun argues against the equitable assignment on several grounds. Initially Braun asserts granting an equitable assignment would result in a double recovery to Rogers when combined with the jury's compensatory award. Since the Court has reduced the compensatory award to Rogers' actual past loss this issue is moot.

Braun also claims that granting an equitable assignment without holding a jury trial violates the Seventh Amendment because the Court decided the nature of the contractual relationship between B. Braun, ViR, and Rogers and because the Court second-

guessed the jury's findings regarding the contributions of the trade secrets of the '451 Patent.

Whether a party has a right to a jury under the Seventh Amendment «turns on whether the case is more similar to cases that were tried in courts of law than to suits tried in courts of equity or admiralty in 1791." *Tegal Corp. v. Tokyo Electronic America. Inc.*, 257 F.3d 1331, 1339 (Fed. Cir. 2001)(quoting *Tull v. United States*, 481 U.S. 412, 417 (1987). A right to a jury attaches only to cases more similar to those that were tried in courts of law. *Id.* Courts must examine both the nature of the action and the remedy sought, however, the nature of the remedy is more important than the nature of the action. *Id.* Here Braun brought an action seeking declaratory judgment of ownership and an injunction. Both the action and the remedies sound in equity. Because Braun asked the Court to declare that it held title to the patent and to grant an injunction Braun had no right to a jury trial on these issues.

Braun further argues the Court second-guessed the jury in violation of the Seventh Amendment. "[W]here legal claims are tried by a jury and equitable claims are tried by a judge and the claims are based on the same facts in deciding the equitable claims the Seventh Amendment requires the trial judge to follow the jury's implicit or explicit factual determinations." *Los Angeles Police Protective League v. Gates*, 995 F .2d 1469, 1473 (9th Cir. 1993). Thus, the Court may determine the equitable ownership of a patent without a jury, but must not make a determination that would contradict the implicit or explicit findings of the jury.

According to Braun, the great disparity between the past and future damages awarded by the jury

demonstrates that the jury found that Rogers' trade secrets did not substantially contribute to the invention of the Ultrasite valve and the '451 Patent. Thus, Braun argues the Court ignored the jury's findings when it determined that Rogers' trade secrets contributed substantially to the invention. But the jury found:

- The Phase One report contained trade secrets;
- Braun misappropriated those trade secrets;
- The trade secrets contributed to the invention of the Ultrasite valve and the '451 Patent; and
- Rogers did not waive their rights in the trade secrets.

The jury findings do not suggest that Rogers should not be assigned the Ultrasite valve and the '451 Patent.

Furthermore, Braun cannot have it both ways. On the one hand, Braun argues the jury was moved by passion and punished Braun with the size of its past damages award. On the other hand, Braun argues the relatively small size of the future damages award indicates a low valuation of contribution by Rogers to the Ultrasite valve and the '451 Patent. But Braun argued that future damages should be minimal and Braun's witnesses testified that these products have short lives and the future could be short, perhaps not more than 4 or 5 years.

These valuations and theories do not affect Braun's claim that the Court's decree of equitable ownership in any way conflicts with the jury verdict. To the

contrary, the Court's ruling is in keeping with the findings of the jury. The jury found that Braun did not own even a 50% interest in the Phase One report. And, based upon the reasons given above and the documentary evidence, the Court found that Braun did not own any interest in the Phase One report, or the results of Phase Two or Three. Thus, the Court's ruling does not violate the Seventh Amendment in the manner argued by Braun.

Finally, Braun asserts there is no evidence in the record to support a finding that Rogers in equity should be decreed the owner of the Ultrasite valve and the '451 Patent, and, alternatively, that Rogers failed to bring a cause of action permitting an equitable assignment of the patent. Therefore, according to Braun, there is no factual or legal basis for the Court's ruling.

Braun claims the record fails to support a finding that Rogers owned the Ultrasite valve and the '451 Patent. But the jury found the Ultrasite valve and the '451 Patent were the result of misappropriation. Thus, the question is whether the evidence supports the Court's finding that Rogers owned everything that ViR produced. The Court has already determined such evidence exists in abundance. The evidence strongly supports the Court's view that ViR was the agent of Rogers, not Braun, at all material times. (*See, e.g.*, Exh. 24). Thus, ViR's assignment to Braun was ineffective in equity to dissolve Rogers' ownership of the ViR work.

Alternatively, Braun claims that trade secret misappropriation does not provide a legal basis for assignment. As an initial matter the Court notes that Braun did not raise the question whether Rogers

brought an action permitting equitable assignment of the '45] Patent until its reply brief.[2] Nevertheless, upon consideration the Court finds Braun's argument that section 3426 does not allow equitable assignment is incorrect and that Courts may assign patents as part of a declaratory judgment following a finding of trade secret misappropriation. This is particularly true where there is a separate cause of action, aside from the misappropriation cause of action, seeking such declaration of equitable ownership.

The uniform trade secret act "does not affect ... other civil remedies that are not based upon misappropriation of a trade secret." Cal. Civ. Code 3426.7(b). Thus, a civil remedy of assignment is available if determined under an action other than misappropriation of a trade secret. Braun brought an action seeking "a declaration pursuant to 28 U.S.C. §§2201-2202 ... that ROGERS and ROZI are not the proper owners or assignees of the ['451 Patent]". Sections 2201 and 2202 allow a court to declare the rights and legal relations of litigants and to provide necessary and proper relief based on a declaratory judgment. *See* 28 U.S.C. §§ 2201(a); 2202. Ruling

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[2] Despite Braun's failure to raise the point in any of its prior papers regarding the equitable assignment (Braun's Opposition to Rogers' Motion to Amend the Judgment; Braun's Motion for Reconsideration of the Court's Ruling Setting a Further Bench Trial; Braun's Reply to Roger's Opposition to the Motion for Reconsideration; and Braun's current Original Motion) the Court accepts that Braun raises this new argument in good faith and not as an improper attempt to cloud the issue. Even though, Braun now argues there is no support in the law for assignment of a patent following a finding of misappropriation, the record shows Braun previously cited and discussed *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226 (Fed. Cir. 1989) a case allowing just such an assignment. Braun's oversight is presumed to be inadvertant.

upon Braun's complaint, the Court found that Rogers is the proper owner and assignee of the '451 Patent and the Ultrasite valve.

The Court's authority to make such a declaratory judgment and assignment is also supported by the caselaw. In *Richardson v. Suzuki Motor Co., Ltd.*, the Federal Circuit reversed a trial court that refused to assign a patent following a jury finding that the subject matter of the patent was misappropriated. *See Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1249-50 (Fed. Cir. 1989). Richardson is much like this case. Richardson was an inventor who developed a new motorcycle suspension system, patented the system, and gave an option to licensed it to Suzuki. Under the option agreement, the inventor turned over prototypes and any improvements developed during the license period to Suzuki. *Id.* at 1232. During the course of the agreement, Richardson turned over a significant improvement. Suzuki made a slight modification to the improvement and then patented the improvement and the modification naming two of its employees as inventors. *Id.* at 1232-33. Suzuki then cancelled the agreement. Following a trial the jury found that Suzuki had misappropriated Richardson's trade secrets and that those trade secrets resulted in Suzuki's patent. *Id.* at 1242, 1249. The Richardson trial court upheld the jury finding of misappropriation but refused to assign the patent to Richardson. *Richardson*, 868 F.2d at 1249. The Federal Circuit reversed holding that assignment was appropriate under the circumstances. *Id.* at 1249-50.[3]

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[3] Citing *Becher v. Contoure Laboratories. Inc.*, 279 U.S. 388 (1929); *Colgate-Palmolive Co. v. Carter Products. Inc.*, 230 F.2d 855, 865 (4th Cir. 1956); *Saco-Lowell Shops v. Reynolds*, 141 F.2d

Here the jury determined that Braun misappropriated Rogers trade secrets. By implication, the jury also found these trade secrets resulted in the Ultrasite valve and the '451 Patent. Following this, the Court addressed Braun's declaratory cause of action requested under Title 28 sections 2201-2202 and found that Rogers is the proper owner of the Ultrasite valve and the '451 Patent. Guided by the totality of the evidence both before the verdict and later before the Court, the Court assigned the valve and the patent to Rogers.

Braun seems to suggest that when a party receives damages for misappropriation it is barred from receiving its property back. The Court does not accept Braun's argument. The meat of Braun's position is that stolen property cannot be returned to the proper owner. But "[t]he courts are not powerless to redress wrongful appropriation of intellectual property." *Richardson*, 868 F.2d at 1250. Trade' secret misappropriation is a form of theft, and the notion that property that has been misappropriated cannot be returned to its proper owner is contrary to the law and is rejected. Therefore, the Court denies Braun's motions regarding equitable ownership of the Ultrasite valve and the '451 Patent.

6. Evidentiary And Procedural Objections

Braun moves for JMOL and in the alternative new trial based on several objections to evidentiary and procedural rulings by the Court. These include supposed errors in:

587,598 (4th Cir. 1944); *De Long Corp. v. Lucas*, 176 F.Supp. 104, 134 (S.D.N.Y. 1959), *aff'd*, 278 F.2d 804 (2nd Cir. 1959).

- Excluding evidence of U.S. Patents No.s 5,360,413 and 5,353,837;
- Excluding expert testimony on damages from Braun resulting in too high a damages award;
- Allowing Rogers to add a new fraud claim;
- Excluding statute of limitations and laches defenses;
- Allowing admission of allegedly privileged documents;
- Allowing Rogers to bring tort claims;
- Applying an improper standard for misappropriation liability;
- Not finding that Rogers consented to Braun's conduct;
- Distinguishing the Noerr-Pennington Doctrine;
- Refusing to apply waiver and estoppel to Rogers;
- Allowing Rogers to revive the contract with Braun; and
- Refusing to give Braun's requested jury instruction regarding coownership of the Phase One report

The Court has considered these objections and finds they are without merit. The trial transcript contains

all rulings by the Court with supporting reasoning and citations.

Rogers' Motion

1. Motion For Remittitur Of The Equitable License To Braun

The Court's award of equitable ownership of the Ultrasite valve and the '451 Patent is subject to the equitable exclusive license to Braun to make, use, sell and exploit the Ultrasite valve and '451 Patent. Rogers objects to the portion of the equitable award requiring a license back to Braun. The Court transferred ownership of the '451 Patent subject to the license because the '114 agreement provided Braun with a right of first refusal to exploit any future related developments. Since Braun would have received a right of first refusal to license the Ultrasite valve and the '451 Patent had Braun complied with the terms of the '114 agreement, and because Braun has invested considerable resources in developing, manufacturing and promoting the Ultrasite valve, the Court finds giving Braun a license on the Ultrasite valve technology and the '451 Patent is equitable under the circumstances presented by this case.

The Court's ruling is equitable for a number of reasons:

- Had Braun complied with the '114 agreement and the law involved in this case, Braun would have a right of first refusal to an exclusive license for the Ultrasite valve and the '451 Patent.

- Under such circumstances, Rogers would have been the owner of both the Ultrasite valve and

the '451 Patent, but subject to Braun's exclusive license.

- Braun is not emerging from its wrongful conduct as well off as if it had obeyed the law. Braun is paying Rogers a just award for Rogers' actual loss suffered, plus Braun is being punished for its misappropriation by the exemplary award. For its fraudulent conduct regarding its performance under the '114 agreement, Braun is also being punished.

- Rogers is receiving its lost royalties on the '451 Patent through the compensatory award, and will receive at least as high a royalty return for future sales as they would have had Braun complied with the law.

- The profit, if any, for the sales of the Ultrasite valve would go to the licensee not the licensor. Thus, Rogers is not losing millions of dollars they would have realized had Braun complied with the law.

- The Ultrasite valve appears to be valuable to society and the medical profession. Therefore the Court wishes to avoid enjoining its production. This remedy allows the continued availability of the valve for use by medical practitioners to the benefit of the public. By enjoining Braun's continued manufacture and sale, along with assigning ownership to Rogers, unnecessary delay and shortages of this product would result for an estimated two years before another manufacturer could obtain FDA approval to market the valve. Such probable

shortage to the medical community would be unnecessary, and therefore in the Court's view, not equitable.

For at least these reasons, Rogers' motion for remittitur of the license condition of the award of the Ultrasite valve and the '451 Patent is denied.

CONCLUSION

For the reasons stated above the Court **DENIES-IN-PART** and **GRANTS-IN-PART** Braun's Motion for Judgment as a Matter of Law, **DENIES** Braun's Motion for New Trial, **DENIES-IN-PART** and **GRANTS-IN-PART** Braun's Motion for Remittitur, and **DENIES** Braun's Motion for Reconsideration. The Court also **DENIES** Rogers' Motion for Remittitur. Accordingly, Rogers is awarded:

- $1,000,000 Compensatory Damages for Fraud;
- $1,250,000 Punitive Damages for Fraud;
- $5,000,000 Compensatory Damages for Trade Secret Misappropriation;
- $5,000,000 Exemplary Damages for Trade Secret Misappropriation; and
- Assignment of the Ultrasite valve and the '451 Patent with a license to Braun.

The parties each have thirty (30) days from the date of this Order to file any motions of appeal.

IT IS SO ORDERED.

DATED: 9-13-04

Rudi M. Brewster
UNITED STATES SENIOR
DISTRICT JUDGE

cc:All Parties

The Honorable Ruben B. Brooks, Magistrate Judge